

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County was established in 1848 and is a public corporation and a political subdivision of the State of Texas. The County has a population of 193,117 (2000 census) living within an area of 3,366 square miles. The County is sixth largest county of the 254 Texas counties. The County is in the southwest quadrant of the state, and the City of Laredo, Texas is the County seat.

The County operates using a commission form of government. The County Judge is elected at large for a four-year term. The Commissioners' Court (Court) is comprised of four members elected for four-year terms from four election districts. The Court provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County (the primary government) and its component units.

The financial statements of the County have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standard Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board ("FASB") issued after November 30, 1989 are not applied in the preparation of the financial statements of the enterprise fund in accordance with the election made by the County under GASB Statement #20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The County's significant accounting policies are described below:

For the reporting year, the County elected early implementation of GASB Statement #34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

A. REPORTING ENTITY

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financial accountable and, as such, should be included within the County's financial statements.

The County (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the County.

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Additional, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Because of the closeness of their relationship with the primary government (the County), two component units are blended as though they are part of the primary government. The reporting funds of the Component Units listed below are included in the Special Revenue Funds section of the County's CAFR. These component units do not issue separately audited comprehensive annual financial reports. The only financial data available on these component units are included in the County's CAFR and may be obtained from the Webb County Auditor's Office.

Webb County Auditor
1110 Washington, Suite 201
Laredo, Texas 78040

Blended Component Unit The Webb County Community Action Agency (CAA) is an entity incorporated by the State of Texas. CAA's primary purpose is to take advantage of all Federal and State programs that are specially designed to aid and educate the underprivileged in the County. The Webb County Commissioners' Court is CAA's governing body. CAA has a twenty-one member advisory board consisting of (A) public officials, (B) indigent and, (C) the private sector. CAA's operations are reported in the special revenue funds.

Blended Component Unit The Laredo Webb County Child Welfare Board (Board) is an entity incorporated by the State of Texas. The Board's purpose is to provide foster care for neglected, delinquent and handicapped children of the County. The Webb County Commissioners' Court is the Board governing body. Thirteen resident members make up an advisory board appointed by the Commissioners' Court. The Board's operations are reported in the special revenue funds.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or as major individual funds (within the fund financial statements).

Both the government-wide and fund financial statements within the basic financial statements categorize primary activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well long-term debt and obligations.

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The government-wide Statement of Activities reflects both the gross and net cost per functional categories (public safety, public works, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines, and forfeitures, licenses and permit fees, taxes and charges for services. The operating grants include operating-specific and discretionary (either operating or capital grants while the capital grants columns reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, or use taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The County does not currently employ an indirect cost allocation system.

This government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the business-type activity fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the sources and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

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Internal service funds of a government (that traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the cost of these services is reflected in the appropriate functional activity (police, fire, public works, etc.).

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The focus of the revised model is on the County as whole and the fund statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

1. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary, and Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual:

All proprietary and internal service funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property taxes, sale taxes, bingo taxes, mixed drink taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when the County receives cash.

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Modified Accrual:

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule is that debt service expenditure, compensated absences and claims and judgments, are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should under most circumstances, be reported as advances by the provider and deferred revenues by the recipient.

2. FINANCIAL STATEMENT PRESENTATION

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures, or expenses as appropriate. The various funds are reported by generic classification within the financial statements. Governmental resources allocated to, and accounted for, in the individual funds are based on the specific activities in accordance with laws, regulations, or other restrictions.

The new reporting model (GASB Statement #34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

GOVERNMENTAL FUNDS:

The focus of Governmental funds measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the County:

General Fund is the general operating fund of the County. It is used to account for all financial resources except those require to be accounted for in another fund.

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Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Head Start Program Fund, which is one of the special revenue funds, is presented as a major fund. Head Start revenues are received from the U. S. Department of Health and Human Services –Administration for Children and Families. Eligible participants are provided with education, nutrition, physical and mental health, disability and medical services. Head Start revenues are also used to provide literacy services for eligible parents. In addition to this, Webb County provides in-kind contributions as non-federal share. Other non-major special revenues funds are created as deemed appropriate.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on governmental bonds, loans, and capital leases.

Capital Projects Funds are used to account for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Business-type/Proprietary Funds). The Interest Income Capital Projects, Series 2003 is a major fund for accumulating interest income for the specific projects from Certificates of Obligation, Series 2003. The Juvenile Youth Village fund is a major fund for land acquisition and the construction of a juvenile facility to be used for detention and probation purposes and benefit of the troubled youth of our community, funded by Limited Tax Improvements Bonds, Series 2002. The TWDB Rio Bravo & El Cenizo Water & Wastewater Contract G11800 is a major fund created to provide financial assistance to Webb County Texas, for the design and construction of Water Treatment and distribution and wastewater collection and treatment facilities to serve the city of Rio Bravo and the city of El Cenizo Texas, funded by Texas Water Development Board. Other non-major capital projects are created as deemed appropriate.

PROPRIETARY FUND TYPES:

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise, of the Water Utility Company and the County internal service funds are charges to customers for sales and services. The County also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is the description of the Proprietary Funds of the County:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by pledge of the net revenues, (b) has third party requirements that the costs, be of providing services including capital costs, be recovered with fees and charges or (c) has pricing policy designed for the fees and charges to recover similar costs. The County may additionally elect to

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treat other County business similarly. The major fund (Water Utility Fund) represents the County's current business-type activity.

Internal Service Funds are used to account for the financing of services provided by a department to other departments, funds or component units of the County on a cost-reimbursement basis.

FIDUCIARY FUNDS:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds.

Trust and Agency Funds are used to account for the trust (either pension, investments [held for third parties] or private purpose) or agencies, which are custodial in nature.

Non-Current Governmental Assets/Liabilities:

GASB Statement #34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets

D. ASSETS, LIABILITIES AND FUND EQUITY

1. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT

The County has defined Cash and Cash Equivalents to include change funds, demand deposits, certificates of deposit, and money market certificates. Additionally, each fund's equity in the State investment pools is considered to be cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Pooled Cash - The County maintains pooled cash accounts for funds not require to be segregated. Some funds incur negative cash balances that are equivalent to liabilities. As a result, bank overdrafts are reported as interfund payables in the balance sheet. The general fund is the offsetting interfund receivable for the negative cash balance.

Bank Overdraft - Individual funds with their own bank account incurring cash overdraft balances are the results of payroll interfund bank transfers or transfers from the state investment pool occurring after the year end or special revenues and capital projects' grant funds on a reimbursement basis.

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2. INVENTORIES

Inventories are valued at cost, which approximates market value, using the first in, first out method, with some inventories on the average cost method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates the assets are unavailable for appropriation even though they are a component of reported assets.

3. CAPITAL ASSETS AND DEPRECIATION

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, dam, and similar immovable items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County elected early implementation of the infrastructure reporting requirements of GASB Statement 34.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight-line method over the estimated useful life of the assets as follow:

Buildings and improvements	15 to 40 years
Equipment (computer, office and vehicles)	5 years
Infrastructure - roads (paved, caliche, or dirt)	15 to 40 years
Infrastructure - bridges	25 to 35 years
Infrastructure - dam	40 years
Infrastructure - cattle guards and culverts	20 years
Infrastructure - water and wastewater lines and pump stations	40 years

4. INTERFUND TRANSACTIONS

During the course of normal operations, the County has many transactions between funds. The accompanying Fund Level financial statements reflect as transfer the expenditures and transfers of resources to provide services construct assets and meet debt service requirements. The effect of interfund activity has been eliminated in the Government-wide financial statements, except for transactions between the governmental and business-type activities.

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5. DUE FROM OTHER GOVERNMENTAL UNITS

To recognize resources available for Special Revenue Funds and Capital Projects Funds, the County records amounts due from grantors upon receipt of the award and records the award as deferred revenue. For grants that require expenditures for eligible grant purposes in order to earn the award, revenues are recognized when expenditures are made. For other grants and financial assistance, the amounts due from other governmental units and deferred revenue are reduced upon receipt of payment and revenues are then recognized.

6. FUND EQUITY

Certain fund balances or portions thereof have been reserved to indicate amounts that are not appropriated for expenditures or are legally segregated for a specific future purpose. Designation of a portion of the fund balance is established to indicate tentative plans for financial resource utilization in a future period.

7. CAPITAL GRANT

Capital grants restricted for capital acquisitions or construction other than those associated with proprietary funds, are accounted for in the applicable Capital Projects Funds. Grant monies restricted for acquisition of Enterprise Fund capital assets are recorded as contributed equity in the applicable enterprise fund. Therefore, depreciation expense relating to fixed assets contributed or acquired with grant monies is deducted from the applicable contributed capital.

8. OTHER ASSETS AND UNAMORTIZED BOND ISSUANCE COSTS

Other assets held are recorded and accounted for at cost.

In the governmental funds, discounts and issuance costs are treated as period costs in the year of issue. Bond issuance costs are shown as other financing sources.

In the proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method that approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other assets. Expenses relating to the sale of the combination tax and revenues bonds in the enterprise fund are amortized over the life of the issue.

As part of the reconciliation and presentation at the government-wide level these costs (in the governmental funds) are adjusted and reflected similarly to proprietary funds.

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Governmental Activities:

Unamortized Bond Issuance Costs	1,251,671
Prepaid Expenses	57,829
Deposits	9,470
Total	\$ <u>1,318,970</u>

Business Activities:

Proprietary Fund:

Enterprise Fund	
Unamortized Bond Issuance Costs	320,239
Total	\$ <u>320,239</u>

9. RECLASSIFICATION

Certain September 30, 2003 accounts balances have been reclassified in this report to conform to the financial statement presentation used in 2004.

10. ADJUSTMENTS TO NET ASSETS AND FUND BALANCE

Prior period adjustments were made to the governmental activities financial statements to reflect corrections to Community Justice Assistance Division (CJAD) special revenue funds grant refund payable (due to governmental agencies) were reported as restatement of beginning governmental fund balance and the beginning governmental activities net assets for 2003. The total effect was a reduction of (\$ 244,032) as of October 1, 2003.

The following CJAD Community Corrections special revenue funds were adjusted for grant refund payable (due to governmental agencies) \$ 2, CJAD Basic Supervision Program \$ 214,326, CJAD Treatment Incarceration Program \$ 28,083 CJAD Mental Impaired Caseload \$ 1,621

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

An excess of expenditures / expenses over appropriations were incurred for the following governmental funds as of September 30, 2004:

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<u>Governmental Accounts</u>	<u>Appropriations</u>	<u>Expenses / Expenditures</u>	<u>Excesses</u>
General Fund			
Public safety			
Constable Pct. 4	375,615	384,782	9,167
Justice system			
County Court at Law # 2	475,682	478,869	3,187
Community and economic development			
Economic development	240,024	241,034	1,010
Special Revenue Funds			
Election Services Contract Fund		239,249	239,249
CJD City of Laredo Multi-Agency Narcotics Task Force Fund	399,047	408,417	9,370
Proprietary Funds:			
Internal Service Funds:			
Webb County Employee Health Benefits Fund	6,309,840	7,152,982	843,142
Webb County Worker's Compensation Fund	789,800	1,111,355	321,555
Total	\$ <u>8,590,008</u>	\$ <u>10,016,688</u>	\$ <u>1,426,680</u>

The \$ 9,167 excesses for the general fund public safety expenditure for Constable Pct. 1 resulted from incentives and sick leave buy-back benefits exceeding the total departmental budget. These incentives are earned at anniversary dates or sold to the County.

The \$ 3,187 excesses for the general fund justice system expenditure for County Court at Law # 2 resulted from incentives benefits exceeding the total departmental budget. These incentives are earned at anniversary dates or sold to the County.

The \$ 1,010 excesses for the general fund community and economic development expenditure for economic development department resulted from wages and fringe benefits exceeding the total departmental budget. The department allocated \$ 50,000 of its payroll cost to governmental grants for administration.

The \$ 239,249 excesses for the election services contract fund resulted from election fund having no budget according the State's Election Code. The contractual revenues and fund balance absorbed the excess expenditures.

The \$ 9,370 excesses for Criminal Justice Division – Laredo Multi-Agency Narcotics Task Force resulted from personnel cost exceeding its budget estimates. Additional governmental grant revenues were authorized and utilized for the personnel cost to finish the fiscal year.

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The \$ 843,142 excesses for Webb County Employees Health Benefits resulted from an increase in major medical and dental claims over the total original budget. The County's insurance committee will review options to manage claims and fund the higher medical cost.

The \$ 321,555 excesses for the Webb County Workers Compensation resulted from claims paid for the actuarial valuation of loss and loss expense reserves increased by \$ 445,442. Revenues and the fund balance absorbed the excess expenses.

B. DEFICIT FUND EQUITY

The Internal Service Fund - Webb County Employees Health Benefits had a deficit fund balance as of September 30, 2004:

Internal Service Fund – Webb County Employees Health Benefits at September 30, 2004 had an unreserved undesignated fund balance deficits of \$ 1,054,315 which exist due to expenditures for claims paid exceeding revenues from the employer contributions and employees deductions. The County insurance committee implemented cost saving (increase co-pay and deductible) and revenues increases from employees' deductions during the 2005 budget process. The insurance committee will recommend additional cost saving and revenues increases in the 2006 budget process.

III. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND BANK OVERDRAFT

CASH - At September 30, 2004 the carrying amount of the County's deposits (including certificates of deposits of \$ 3,677,836.93) was \$ 16,171,603 and the bank balance was \$ 14,259,632. Of the bank amount, 100 percent was insured or collateralized with securities held by the County's agent in the County's name.

The State of Texas Public Funds Investment Act limits the types of authorized investments that the County may make. Legal collateral and investments are generally limited to direct obligations of the United States of America or guaranteed by governmental entities or its agencies and instrumentalities, certificate of deposit and repurchase agreements.

CASH EQUIVALENTS - Cash equivalents represent deposits and short-term highly liquid investments with a maturity of less than three months.

The County invests primarily in TexPool which is a public fund pool administered by the State Comptroller of Public Accounts. There is a twenty-four hour fund availability of these funds; therefore, the Texpool's investment of \$ 53,104,509 is reported as cash equivalent. Texpool's net assets value is .99973% of the County's carrying value as of September 30, 2004. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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As required by Technical Bulletin 94-1 Disclosures about Derivatives for indirect transactions such as investment pool, Texpool held no derivative securities. Texpool's investment policy does not allow for derivative investments.

Logic - Local Government Investment Cooperative is also a public fund pool for the County permanent school fund. The Cooperative's governing body is a five-member Board of Directors comprised of employees, officers, or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. There is twenty-four hour fund availability of these funds; therefore, the Logic's investment of \$ 274 is also reported as cash equivalent. Logic's net assets value is .9999% of the County's carrying value as of September 30, 2004. The fair value of the position in Logic is the same as the value of Logic shares.

MBIA Texas Cooperative Liquid Assets Securities System (Texas CLASS) is also a public fund pool for the County permanent school fund. Texas CLASS establishes a trust so long as MBIA Municipal Investors Services Corporation is the Program Administrator organized and existing under the laws of State of Texas. The Board of Trustees shall conduct the Trustees activities, execute all documents and sue or be sue under either of the under the foregoing names. There is twenty-four hour fund availability of these funds; therefore, the Texas CLASS investment of \$ 5,354,470 is also reported as cash equivalent. MBIA's net asset value is 1.0% of the County's carrying value as of September 30, 2004. The fair value of the position in Texas CLASS is the same as the value of Texas CLASS shares.

Cash and Cash Equivalents are combined in the Financial Statements as follows:

Financial Statements	Primary Government		
	Governmental Activities	Business-type Activities	Fiduciary Funds
Cash on hand	\$ 9,077	150	
Deposits	7,471,517		8,700,086
Texpool State Investment Pool	38,923,706	2,164,170	12,016,633
Logic Investment Pool			274
MBIA Investment Pool			5,354,470
Total Cash and Cash Equivalents	\$ 46,404,300	2,164,320	26,071,463

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Reconciliation of bank overdraft:

<u>Per Fund Type</u>	<u>Negative Pooled Cash</u>
Special Revenue Funds	
Community Supervision Correctional Department	\$ <u>6,893</u>
Total Bank Overdraft Balance	\$ <u><u>6,893</u></u>

The Community Supervision bank account had a negative cash balance as of September 30, 2004.

B. RECEIVABLES

Accounts, billings, and taxes receivables and related allowances are as follows:

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Tax Receivable - Delinquent	7,334,986	
Billings Receivable		195,662
Accounts Receivable	581,602	110
Fines Receivable	3,702,494	
Probation Fees Receivable	666,126	
Notes Receivable	71,845	
Accrued Interest Income	<u>1,308</u>	
Total Receivables	\$ <u><u>12,358,361</u></u>	\$ <u><u>195,772</u></u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. For the governmental statements, property taxes expected to be collected are reported as deferred. On June 2, 2003, the County had estimated \$ 1,387,546 storm damage and received a portion of the insurance proceeds. Clean-up cost was incurred during the fiscal year and a small segment of the repairs were to commence February 2004. The roof repairs required additional competitive bidding processing and contractual agreements were finalized October 2004. The buildings interior repairs have not been release for competitive bids. The insurance proceeds were deferred until all repairs are finalized.

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All repairs require Commissioners' Court approval. At the end of the current fiscal year, the various components of deferred revenues and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Properties taxes receivables – General Fund	6,500,949	
Properties taxes receivables – Road and Bridge Fund	255,567	
Properties taxes receivables – Debt Service Fund	1,342,275	
Storm insurance proceeds	974,274	
Grant drawdown prior to meeting all eligibility requirements		4,530,198
Total	\$ <u>9,073,065</u>	\$ <u>4,530,198</u>

C. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2004 was as follows:

	<u>Beginning Balance 10/1/2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 9/30/2004</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 5,637,002	\$ 940,368	\$	\$ 6,577,370
Infrastructure in progress	11,087,489	8,658,649		19,746,139
Construction In progress	738,483	2,550,294		3,288,777
Total capital assets, not being depreciated	<u>17,462,974</u>	<u>12,149,311</u>		<u>29,612,285</u>
Capital assets, being depreciated:				
Infrastructure	50,778,354	1,124,025		51,902,378
Buildings	67,860,617	1,760,042		69,620,659
Furniture, fixtures, and equipment	24,980,742	1,079,124	449,906	25,609,960
Total capital assets, depreciated	<u>143,619,713</u>	<u>3,963,190</u>	<u>449,906</u>	<u>147,132,997</u>
Less accumulated depreciation for:				
Infrastructure	(38,680,517)	(586,217)		(39,266,734)
Buildings	(20,715,759)	(1,894,550)		(22,610,309)
Furniture, fixtures, and equipment	(18,297,107)	(1,929,965)	419,548	(19,807,524)
Total accumulated depreciation	<u>(77,693,383)</u>	<u>(4,410,732)</u>	<u>419,548</u>	<u>(81,684,567)</u>
Total capital assets, being depreciated, net	<u>65,926,330</u>	<u>(447,541)</u>	<u>30,358</u>	<u>65,448,430</u>
Governmental activities capital assets, net	<u>\$ 83,389,304</u>	<u>\$ 11,701,770</u>	<u>\$ 30,358</u>	<u>\$ 95,060,716</u>

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

	Beginning Balance <u>10/1/2003</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>9/30/2004</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 216,295	\$	\$	\$ 216,295
Infrastructure in progress	<u>2,037,251</u>	<u>1,594,370</u>	<u></u>	<u>3,631,621</u>
Total capital assets, not being depreciated	<u>2,253,546</u>	<u>1,594,370</u>	<u></u>	<u>3,847,916</u>
Capital assets, being depreciated:				
Infrastructure	405,135			405,135
Buildings	496,623			496,623
Furniture, fixtures, and equipment	<u>378,885</u>	<u></u>	<u></u>	<u>378,885</u>
Total capital assets, depreciated	<u>1,280,643</u>			<u>1,280,643</u>
Less accumulated depreciation for:				
Infrastructure	(20,256)	(10,493)		(30,749)
Buildings	(66,737)	(12,415)		(79,152)
Furniture, fixtures, and equipment	<u>(323,503)</u>	<u>(29,926)</u>	<u></u>	<u>(353,429)</u>
Total accumulated depreciation	<u>(410,496)</u>	<u>(52,834)</u>	<u></u>	<u>(463,330)</u>
Total capital assets, being depreciated, net	<u>870,147</u>	<u>(52,834)</u>	<u></u>	<u>817,312</u>
Business-type activities capital assets, net	<u>\$ 3,123,693</u>	<u>\$ 1,541,535</u>	<u>\$</u>	<u>\$ 4,665,228</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:

General Government	\$ 933,571
Public Safety	295,920
Justice System	515,894
Health and Human Service	266,659
Infrastructure and Environmental Services	1,611,586
Correction and Rehabilitation	379,601
Community and Economic Development	396,449
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>11,052</u>
Total depreciation expense - governmental activities	<u>\$ 4,410,732</u>
Business-type activities:	<u>52,834</u>
Total depreciation expense - Business-type activities	<u>\$ 52,834</u>

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

D. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued liabilities in the governmental and business activities are as follows:

<u>Accounts Payable and Accrued Liabilities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bank overdraft	6,893	
Accounts payable	5,781,076	215,749
Accrued wages	1,876,646	17,835
Other liabilities	660,839	10,921
Restitution payable	72,225	
Retainage payable	608,098	80,157
Customer deposits	342	38,202
Total Accounts Payable and Accrued Liabilities	\$ <u>9,006,121</u>	\$ <u>362,864</u>

E. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County has numerous transactions between funds that involve receipts and disbursements by one fund for amounts of another fund. Those transactions that require one fund to reimburse another are classified in the balance sheet of the various funds as due to or due from other funds, as appropriate. Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved.

Individual interfund receivable and payable balances at September 30, 2004 were:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government		
General Fund	\$ 2,885,970	\$ 134,349
Major Governmental Funds		6,333,037
Nonmajor Governmental Funds	14,627,406	9,963,212
Subtotal	17,513,376	16,430,598
Internal Service Fund	8,148	208,678
Enterprise Fund	1,359,335	2,241,583
Total	\$ <u>18,880,859</u>	\$ <u>18,880,859</u>

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Transfers of financial resources among funds are recognized in all funds affected in the accounting period in which the interfund receivable and payable arises. Interfund operating transfers are legally authorized transfers from a fund to the fund through which the resources are to be expended. During the fiscal year ended September 30, 2004, transfers were as follows:

	Transfers In	Transfers Out	Purpose
Governmental Activities:			
General Fund	1,479,395	55,200	Reimbursement from R&B Fund, Courthouse Security, Capital Fund, Internal Fund, & Fund Record Mangt. Payroll
Special Revenue Funds			
Webb Hotel Motel Occupancy Tax		115,000	Fund Debt Service Payments
Records Management & Preservation	55,200		Fund payroll from G/F
Webb County Road & Bridge		349,923	Fund G/F Vehicle Maintenance Dept., JP Pct. 4 new slots, and Equip. Purchase
District Attorney Federal Forfeiture		11,010	Fund Grant Operations
Webb County Courthouse Security		160,000	Funded G/F Security Dept.
DEA - Laredo Financial Task Force	11,010		Fund Grant Operations
CJAD Community Corrections	134,094		Fund Grant Operations
CJAD Day Reporting Center	4,958		Fund Grant Operations
CJAD Basic Supervision		159,185	Fund Grant Operations
CJAD Treatment Incarceration Program	20,133		Fund Grant Operations
Capital Projects Funds			
911 Addressing Program		3	Fund Debt Services Payments
Library Fund		211,997	Reimburse G/F Capital Improvements
Construction in Progress, Series 2001	206,342		Jail Renovation
Capital Projects Interest Income, Series 2001		206,342	Fund Jail Renovation
Management Records Storage Warehouse, Series 2002	102,235		Fund Records Storage Warehouse
Justice of Peace South Laredo, Series 2002	105,509		JP Bldg. Construction Cost
Park Development, Series 2002		105,509	Pct. 1 coverage of New JP Bldg.
Capital Outlay, Series 2002		27,831	Fund Records Storage Warehouse
Capital Projects Interest Income, Series 2002		74,404	Fund Records Storage Warehouse
Road and Bridge Improvements, Series 2003	32,525		Equipment Purchase from R&B Fund
Debt Service Fund	115,003		Debt Service Payments
Total Governmental Transfers	2,266,404	1,476,404	
Proprietary Funds:			
Internal Service Fund			
Workers' Compensation Reserve		790,000	Transfer to General Fund
Sub-total	2,266,404	2,266,404	
Fiduciary Trust Funds			
Permanent School Fund		292,695	Pay School Districts From Interest Income and Royalties
Available School Fund	292,695		Pay School Districts Based On Daily Per Student Attendance
Total Fiduciary Transfers	292,695	292,695	
Total	\$ 2,559,099	\$ 2,559,099	

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

F. LEASES

The County entered into contractual lease agreements for equipment, heavy equipment, vehicles, and portable buildings for the General Fund, Road and Bridge Fund and the TJPC – Juvenile Justice Alternative Education Program. The leases met the criteria of a capital lease, in which the benefits and risks of ownership are essentially transferred to the lessee, the County. Upon entering into these capital leases, the County records capital outlay and other financing sources for governmental funds equal to the capitalization amounts of the equipment in the fund that accounts for the acquiring governmental funds. The County records the asset and the related liability for the enterprise fund.

The assets acquired through capital lease are as follows:

Asset:	Governmental Activities
Buildings	\$ 82,905
Equipment	2,982,966
Less: Accumulated Depreciation	(1,410,798)
Total	<u>\$ 1,655,073</u>

Lease payments are reported in the Debt Service Fund for governmental funds as taxes that have been levied for that specific purpose. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

<u>Year Ending September 30</u>	Governmental Activities
2005	\$ 557,034
2006	290,296
2007	57,792
2008	57,792
2009	57,792
2010 - 2013	<u>187,815</u>
Total minimum lease payments	1,208,522
Less: amount representing interest	(161,918)
Present value of minimum lease payments	<u>\$ 1,046,604</u>

G. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended September 30, 2004. The Certificates of Obligations, Limited Tax Refunding and Combination Tax, Revenue Certificate of Obligations, General Obligation Refunding, Limited Tax Refunding bonds, TWDB EDAP Loan (Series 2004A), and LoanSTAR Loan pertain to governmental funds. The governmental debt is retired from Debt Service Fund revenues; primarily ad valorem taxes. The TWDB Water and Sewer DFUNDII Loan, a portion of the Certificates of Obligations series 1999 and 2000, and TWDB EDAP Loan (Series 2004) are retired by the Webb County Water Utility self-supporting fees.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Long-term liabilities activity for the fiscal year ended September 30, 2004, was as follow:

	Original	Beginning			Ending	Amount
	Amount	Balance	Additions	Reductions	Balance	Due Within
						One Year
Governmental Activities:						
Certificates of Obligations & Bonds						
Certificates of Obligation, Series 1994	8,700,000	305,000		305,000		
Certificates of Obligations, Series 1996	7,500,000	255,000		75,000	180,000	85,000
General Obligations Refunding Bonds, Series 1998	8,020,000	7,680,000		70,000	7,610,000	70,000
Certificates of Obligations, Series 1999	13,664,700	12,035,216		493,966	11,541,250	526,281
Certificates of Obligations, Series 2000	5,995,000	5,687,494		88,447	5,599,047	115,365
Certificates of Obligations, Series 2001	7,000,000	6,780,000		90,000	6,690,000	115,000
Limited Tax Improvement Bonds, Series 2002	11,300,000	10,910,000		400,000	10,510,000	415,000
Certificates of Obligations, Series 2002	4,300,000	3,915,000		145,000	3,770,000	150,000
Limited Tax Refunding Bonds, Series 2002	6,275,000	6,275,000		705,000	5,570,000	1,005,000
Limited Tax Refunding Bonds, Series 2003	6,335,000	6,280,000			6,280,000	270,000
Certificates Of Obligation, Series 2003			10,000,000	380,000	9,620,000	
	79,089,700	60,122,710	10,000,000	2,752,413	67,370,297	2,751,646
Bond premiums		80,304	104,654	39,504	145,454	
Bond discounts		(48,632)	(39,396)	(6,236)	(81,792)	
Less deferred amount on refundings		(315,852)		(44,047)	(271,805)	
Total Certificates of Obligations & Bonds	79,089,700	59,838,530	10,065,258	2,741,634	67,162,154	2,751,646
Loans						
LoanSTAR Revolving Loan Program	1,124,039	843,520		133,054	710,466	138,512
TWDB EDAP Loan, Series 2004A			588,000		588,000	10,000
Total Loans	1,124,039	843,520	588,000	133,054	1,298,466	148,512
Lease Purchases						
Lease Purchases	2,690,551	1,724,553		680,403	1,044,150	465,865
Total Lease Purchases	2,690,551	1,724,553		680,403	1,044,150	465,865
Governmental activities long-term						
Liabilities	82,904,290	62,406,603	10,653,258	3,555,091	69,504,770	3,366,023
Business-type Activities:						
Certificates of Obligations, Series 1999	1,135,300	999,785		41,035	958,750	43,719
Certificates of Obligations, Series 2000	1,800,000	1,707,506		26,553	1,680,953	34,635
Total Certificates of Obligations	2,935,300	2,707,291		67,588	2,639,703	78,354
Loans						
TWDB Water & Sewer DFUNDII, Series 2000	1,958,000	1,950,000		20,000	1,930,000	30,000
TWDB EDAP Loan, Series 2004			1,102,000		1,102,000	
Total Loans	1,958,000	1,950,000	1,102,000	20,000	3,032,000	30,000
Business-type Activity Long-term Liabilities	4,893,300	4,657,291	1,102,000	87,588	5,671,703	108,354

Webb County, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

Description of Individual Bond Issues and Loans Outstanding

Summarized below are the County's individual bond and loan issues, which are outstanding at September 30, 2004.

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
PRIMARY GOVERNMENT:					
Governmental Activities					
Certificates of Obligations, Series 1996	courthouse restoration; land acquisition at 1100 Washington; remodeling of building at 1100 Washington; air conditioning equipment for the jail; juvenile detention facility; regional sewer plant land acquisition and professional services; gas depot and vehicle wash racks at road and bridge department; 911 program engineering services; IBM AS-400 upgrade for county networking; costs incurred in connection with issuance of the bonds	7,500,000	180,000	7.30%	98,468
General Obligation Refunding Bonds, Series 1998	refund a portion of the County's currently outstanding Certificates of Obligation, Series 1996; costs incurred in connection with issuance of the bonds	8,020,000	7,610,000	3.50%-4.45%	2,034,278
Certificates of Obligations, Series 1999	a new County administration building; a new courtroom for the 406th District Court; a chiller to serve County buildings; automobiles, trucks, and road equipment; computer and software equipment for County departments including Y2K compliance; and elevated storage tank in Rio Bravo; water transmission lines in the El Cenizo area; water utility equipment, including pumps and related equipment and buildings and improvements for the the County Water Utilities Department; vehicle maintenance equipment for County garages; and the payment of contractual obligations for professional services in connection with the above projects	13,664,700	11,541,138	5.00%-6.00%	1,138,663
Certificates of Obligations, Series 2000	completion of the new county administration building; purchase 7,084 square feet of land adjoining the administration building; construction of improvements to the Webb County Jail; improvements to the computer network; purchase of 2000 Hawk fire apparatus; construction of building modifications; road rehabilitation; right-of-way acquisition; construction of a water treatment plant, raw water delivery system, and raw water storage tank; purchase of vehicles, computers, laboratory equipment, backhoes, water and wastewater pumps, generators, and other equipment for water treatment plant and general county operations; and the payment of contractual obligations for professional services in connection with the above projects	5,995,000	5,598,924	4.55%-6.00%	862,421
Certificates of Obligations, Series 2001	acquisition and renovation of the land and buildings for the downtown Villa Antigua project; replacement or upgrade of the County's main computer system and purchase of additional computer equipment; acquisition of land and construction of the County's morgue; expansion or rehabilitation of existing County buildings; construction, renovation, and improvements to various County parks; right-of-way acquisition in the colonias area; construction of an international bridge; purchase of computers, printers, copiers, furniture, and vehicles for various County departments; and the payment of contractual obligations for professional services in connection with such projects	7,000,000	6,690,000	4.55%-5.73%	860,331
Limited Tax Improvement Bonds, Series 2002	design, planning, acquisition, construction, capital outlay, and equipping of juvenile detention facility; and the payment of contractual obligations for professional services in connection with such project	11,300,000	10,510,000	3.00%-4.80%	850,900

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Certificates of Obligations, Series 2002 design, planning, acquisition, construction, capital outlay, and equipping of community centers, other County buildings, improvements to the County parks, construction of bridges, acquisition of water supply and general equipment and other projects; and paying the costs of issuance thereof	4,300,000	3,770,000	3.00%-5.03%	305,919
Limited Tax Refunding Bonds, Series 2002 refund the outstanding obligations of the County listed on Schedule 1 hereto (the "Refunded Obligations") on February 15, 2003 on a current basis with a delivery date for the Refunding Bonds of November 21, 2002.	6,275,000	5,570,000	5.00%	1,260,750
Limited Tax Refunding Bonds, Series 2003 refund the outstanding obligations of the County on Schedule 1 hereto (the "Refunded Obligations") on March 1, 2004.	6,335,000	6,280,000	2.50%-3.00%	948,600
LoanStar Loan Revenues are from the State Energy Conservation Office in the form of a loan. Funds are to be used for the energy conservation retrofit measures of the Law Enforcement Center and the Justice Center.	1,197,256	710,466	4.04%	165,134
Certificates Of Obligations, Series 2003 for the design, planning, acquisition, construction, and equipping of golf course improvements; purchase and renovation of the site and building called "Tex-Mex" building at 1202 Washington Street; sites for and construction of ionization towers and monitoring station for rain enhancement; construction, renovation, equipment, and improvement to various County parks and community centers; right-of-way acquisition and road improvements in the colonias areas; construction of an international bridge; acquisition of a secondary County water source; purchase computers, copiers, fax machines, furniture, vehicles, heavy equipment and other equipment for the County courts, the Sheriff's department, and other various County departments; Casa Blanca Lake rehabilitation; development of recreational facilities through interlocal agreements with LISD, UISD, and City of Laredo; development of the North Shiloh Community Center in Precinct 3 of the County; land acquisition and developments and/or rehabilitation of the recreational and community centers in the Rio Bravo and El Cenizo areas of Southern Webb County; improvements to County property used for recreational purposed in the area known as "LIFE Downs"; and the payment of contractual obligations for professional services in connection with such projects	10,000,000	9,620,000	2.50%-5.00%	1,158,956
TWDB EDAP Loan Series 2004A design and construction of water treatment and distribution and wastewater collection and treatment facilities to serve the economically distressed areas of Webb County known as the City of Rio Bravo and the City of El Cenizo	588,000	588,000	3.33%-5.93%	55,696
Total Governmental Activities	82,174,956	68,668,528		
Business-Type Activities				
Certificates of Obligations, Series 1999 completion of the new county administration building; elevated water tank; capital outlay; and the payment of contractual obligations for professional services in connection with the above projects	1,135,300	958,862	5.00%-6.00%	94,591
Certificates of Obligations, Series 2000 financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds	1,800,000	1,681,076	4.55%-6.00%	258,917
TWDB DFUND II Loan financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds	1,958,000	1,930,000	5.59%	207,915
TWDB EDAP Loan Series 2004 design and construction of water treatment and distribution and wastewater collection and treatment facilities to serve the economically distressed areas of Webb County known as the City of Rio Bravo and the City of El Cenizo	1,102,000	1,102,000	2.75%-5.60%	104,408
Total Business-Type Activities	5,995,300	5,671,938		

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Governmental Activities:

Fiscal Year	Certificates of Obligations & Bonds			TWDB EDAP Loan			LoanSTAR		
	Total for all Series			Series 2004A			Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	2,751,646	3,055,223	5,806,869	10,000	30,855	40,855			
2006	3,127,800	2,918,475	6,046,275	10,000	30,507	40,507	138,512	26,622	165,134
2007	3,325,108	2,770,041	6,095,149	15,000	30,031	45,031	144,193	20,941	165,134
2008	3,655,107	2,610,280	6,265,387	15,000	29,419	44,419	150,107	15,027	165,134
2009	4,017,798	2,434,614	6,452,412	15,000	28,770	43,770	156,264	8,870	165,134
2010	3,909,688	2,261,615	6,171,303	25,000	27,859	52,859	121,389	2,460	123,849
2011	4,210,848	2,090,590	6,301,438	25,000	26,682	51,682			
2012	4,274,002	1,909,877	6,183,879	30,000	25,353	55,353			
2013	4,478,999	1,720,681	6,199,680	30,000	23,874	53,874			
2014	4,732,466	1,517,047	6,249,513	30,000	22,365	52,365			
2015	5,046,314	1,296,153	6,342,467	35,000	20,696	55,696			
2016	3,440,541	1,099,201	4,539,742	35,000	18,857	53,857			
2017	3,610,161	930,840	4,541,001	35,000	16,974	51,974			
2018	3,787,478	750,101	4,537,579	35,000	15,056	50,056			
2019	3,979,026	556,898	4,535,924	40,000	12,962	52,962			
2020	3,393,315	370,562	3,763,877	40,000	10,690	50,690			
2021	2,485,000	221,690	2,706,690	40,000	8,388	48,388			
2022	2,015,000	108,844	2,123,844	41,000	6,037	47,037			
2023	1,130,000	28,956	1,158,956	41,000	3,637	44,637			
2024				41,000	1,216	42,216			
Total Debt	66,240,297	28,622,732	94,863,029	588,000	390,230	978,230	710,465	73,920	784,385

Fiscal Year	Contract Payable		
	(Lease Obligation)		
	Principal	Interest	Total
2005	461,905	90,953	552,857
2006	270,336	19,961	290,296
2007	43,495	14,297	57,792
2008	45,683	12,109	57,792
2009	47,982	9,810	57,792
2010	50,396	7,396	57,792
2011	52,932	4,861	57,792
2012	55,595	2,197	57,792
2013	14,320	118	14,438
Total Debt	1,042,645	161,702	1,204,346

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Business-Type Activities:

Fiscal Year	Certificates of Obligations, Total for all Series			TWDB EDAP Loan Series 2004			TWDB DFUNDII Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	78,354	141,545	219,899	10,000	53,713	63,713	30,000	106,093	136,093
2006	92,200	136,869	229,069	25,000	53,181	78,181	40,000	104,410	144,410
2007	109,894	131,356	241,250	25,000	52,356	77,356	50,000	102,203	152,203
2008	124,894	124,987	249,881	50,000	50,988	100,988	70,000	99,198	169,198
2009	142,204	117,777	259,981	50,000	49,038	99,038	90,000	95,113	185,113
2010	215,312	108,482	323,794	55,000	46,843	101,843	100,000	90,170	190,170
2011	224,153	97,221	321,374	55,000	44,450	99,450	110,000	84,603	194,603
2012	105,998	88,660	194,658	55,000	41,989	96,989	120,000	78,390	198,390
2013	131,002	82,459	213,461	60,000	39,343	99,343	130,000	71,545	201,545
2014	142,535	75,241	217,776	60,000	36,508	96,508	140,000	64,085	204,085
2015	163,688	67,056	230,744	65,000	33,459	98,459	150,000	56,000	206,000
2016	194,459	57,350	251,809	65,000	30,193	95,193	160,000	47,280	207,280
2017	209,839	46,340	256,179	75,000	26,585	101,585	170,000	37,915	207,915
2018	222,523	34,209	256,732	80,000	22,535	102,535	180,000	27,895	207,895
2019	230,969	21,130	252,099	85,000	18,161	103,161	190,000	17,210	207,210
2020	251,678	7,236	258,914	91,000	13,408	104,408	200,000	5,850	205,850
2021				96,000	8,264	104,264			
2022				100,000	2,800	102,800			
Total Debt	3,741,702	1,961,729	5,703,431	1,102,000	623,811	1,725,811	1,930,000	1,087,960	3,017,960

Governmental Activities:

Fiscal Year	Certificates of Obligations, Series 1996			General Obligation Refunding Bonds, Series 1998			Certificates of Obligations, Series 1999		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	85,000	10,038	95,038	70,000	326,755	396,755	526,281	612,382	1,138,663
2006	95,000	3,468	98,468	75,000	323,728	398,728	553,980	579,974	1,133,954
2007				175,000	318,478	493,478	586,296	545,766	1,132,062
2008				185,000	310,918	495,918	613,995	509,757	1,123,752
2009				190,000	303,043	493,043	641,694	472,488	1,114,182
2010				905,000	280,048	1,185,048	674,009	436,788	1,110,797
2011				945,000	241,198	1,186,198	710,941	401,809	1,112,750
2012				985,000	200,421	1,185,421	747,873	364,422	1,112,295
2013				1,025,000	157,453	1,182,453	784,805	324,759	1,109,564
2014				1,065,000	111,985	1,176,985	826,354	282,663	1,109,017
2015				1,990,000	44,278	2,034,278	872,519	237,849	1,110,368
2016							923,300	190,260	1,113,560
2017							969,465	139,859	1,109,324
2018							1,024,863	86,255	1,111,118
2019							1,084,875	29,292	1,114,167
2020									
2021									
2022									
Total	180,000	13,506	193,506	7,610,000	2,618,305	10,228,305	11,541,250	5,214,323	16,755,573

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Fiscal Year	Certificates of Obligations, Series 2000			Certificates of Obligations, Series 2001			Limited Tax Improvement Bonds, Series 2002		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	115,365	302,022	417,387	115,000	322,690	437,690	415,000	435,450	850,450
2006	153,820	295,417	449,237	130,000	314,115	444,115	425,000	421,788	846,788
2007	203,812	286,515	490,327	135,000	304,840	439,840	440,000	406,650	846,650
2008	246,112	275,267	521,379	160,000	294,515	454,515	460,000	390,900	850,900
2009	296,104	261,563	557,667	180,000	282,615	462,615	475,000	374,538	849,538
2010	530,679	240,480	771,159	215,000	272,015	487,015	490,000	357,405	847,405
2011	549,907	212,650	762,557	230,000	263,058	493,058	510,000	339,023	849,023
2012	146,129	194,480	340,609	615,000	245,331	860,331	530,000	319,390	849,390
2013	219,194	184,799	403,993	570,000	219,865	789,865	550,000	298,320	848,320
2014	246,112	172,407	418,519	575,000	194,674	769,674	575,000	275,461	850,461
2015	303,795	157,545	461,340	440,000	171,870	611,870	600,000	250,851	850,851
2016	392,241	138,382	530,623	495,000	150,351	645,351	625,000	224,429	849,429
2017	430,696	115,653	546,349	510,000	126,730	636,730	650,000	196,133	846,133
2018	457,615	90,081	547,696	535,000	101,644	636,644	685,000	165,753	850,753
2019	469,151	62,278	531,429	580,000	74,460	654,460	715,000	133,374	848,374
2020	838,315	24,102	862,417	595,000	45,375	640,375	750,000	98,750	848,750
2021				610,000	15,250	625,250	785,000	61,125	846,125
2022							830,000	20,750	850,750

Total	5,599,047	3,013,641	8,612,688	6,690,000	3,399,398	10,089,398	10,510,000	4,770,090	15,280,090
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Fiscal Year	Certificates of Obligations, Series 2002			Limited Tax Refunding Bonds, Series 2002			Limited Tax Refunding Bonds, Series 2003		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	150,000	155,688	305,688	1,005,000	253,375	1,258,375	270,000	212,038	482,038
2006	155,000	150,725	305,725	1,055,000	201,875	1,256,875	425,000	203,350	628,350
2007	160,000	145,213	305,213	1,110,000	147,750	1,257,750	425,000	192,725	617,725
2008	165,000	139,525	304,525	1,170,000	90,750	1,260,750	435,000	180,888	615,888
2009	170,000	133,663	303,663	1,230,000	30,750	1,260,750	450,000	167,613	617,613
2010	175,000	127,538	302,538				790,000	147,531	937,531
2011	185,000	120,919	305,919				820,000	119,338	939,338
2012	190,000	113,840	303,840				850,000	88,538	938,538
2013	195,000	106,330	301,330				885,000	54,900	939,900
2014	205,000	98,202	303,202				930,000	18,600	948,600
2015	215,000	89,405	304,405						
2016	225,000	79,914	304,914						
2017	235,000	69,705	304,705						
2018	245,000	58,783	303,783						
2019	255,000	47,219	302,219						
2020	270,000	34,810	304,810						
2021	280,000	21,540	301,540						
2022	295,000	7,375	302,375						

Total	3,770,000	1,700,394	5,470,394	5,570,000	724,500	6,294,500	6,280,000	1,385,521	7,665,521
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Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Fiscal Year	Certificates of Obligations, Series 2003			TWDB EDAP Loan Series 2004A			LoanSTAR Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005		424,785	424,785	10,000	30,855	40,855	138,512	26,622	165,134
2006	60,000	424,035	484,035	10,000	30,507	40,507	144,193	20,941	165,134
2007	90,000	422,104	512,104	15,000	30,031	45,031	150,107	15,027	165,134
2008	220,000	417,760	637,760	15,000	29,419	44,419	156,264	8,870	165,134
2009	385,000	408,341	793,341	15,000	28,770	43,770	121,389	2,460	123,849
2010	130,000	399,810	529,810	25,000	27,859	52,859			
2011	260,000	392,595	652,595	25,000	26,682	51,682			
2012	210,000	383,455	593,455	30,000	25,353	55,353			
2013	250,000	374,255	624,255	30,000	23,874	53,874			
2014	310,000	363,055	673,055	30,000	22,365	52,365			
2015	625,000	344,355	969,355	35,000	20,696	55,696			
2016	780,000	315,865	1,095,865	35,000	18,857	53,857			
2017	815,000	282,760	1,097,760	35,000	16,974	51,974			
2018	840,000	247,585	1,087,585	35,000	15,056	50,056			
2019	875,000	210,275	1,085,275	40,000	12,962	52,962			
2020	940,000	167,525	1,107,525	40,000	10,690	50,690			
2021	810,000	123,775	933,775	40,000	8,388	48,388			
2022	890,000	80,719	970,719	41,000	6,037	47,037			
2023	1,130,000	28,956	1,158,956	41,000	3,637	44,637			
2024				41,000	1,216	42,216			
Total	9,620,000	5,812,010	15,432,010	588,000	390,230	978,230	710,465	73,920	784,385

Business-Type Activities:

Fiscal Year	Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000			TWDB EDAP Loan Series 2004		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	43,719	50,872	94,591	34,635	90,673	125,308	10,000	53,713	63,713
2006	46,020	48,179	94,199	46,180	88,690	134,870	25,000	53,181	78,181
2007	48,705	45,338	94,043	61,189	86,018	147,207	25,000	52,356	77,356
2008	51,006	42,346	93,352	73,888	82,641	156,529	50,000	50,988	100,988
2009	53,307	39,250	92,557	88,897	78,527	167,424	50,000	49,038	99,038
2010	55,991	36,285	92,276	159,321	72,197	231,518	55,000	46,843	101,843
2011	59,059	33,379	92,438	165,094	63,842	228,936	55,000	44,450	99,450
2012	62,127	30,273	92,400	43,871	58,387	102,258	55,000	41,989	96,989
2013	65,195	26,978	92,173	65,807	55,481	121,288	60,000	39,343	99,343
2014	68,647	23,481	92,128	73,888	51,760	125,648	60,000	36,508	96,508
2015	72,482	19,758	92,240	91,206	47,298	138,504	65,000	33,459	98,459
2016	76,700	15,805	92,505	117,759	41,545	159,304	65,000	30,193	95,193
2017	80,535	11,618	92,153	129,304	34,722	164,026	75,000	26,585	101,585
2018	85,137	7,165	92,302	137,386	27,044	164,430	80,000	22,535	102,535
2019	90,120	2,433	92,553	140,849	18,697	159,546	85,000	18,161	103,161
2020				251,678	7,236	258,914	91,000	13,408	104,408
2021							96,000	8,264	104,264
2022							100,000	2,800	102,800
Total	958,750	433,160	1,391,910	1,680,952	904,758	2,585,710	1,102,000	623,811	1,725,811

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Fiscal Year	TWDB DFUNDII Loan		
	Principal	Interest	Total
2005	30,000	106,093	136,093
2006	40,000	104,410	144,410
2007	50,000	102,203	152,203
2008	70,000	99,198	169,198
2009	90,000	95,113	185,113
2010	100,000	90,170	190,170
2011	110,000	84,603	194,603
2012	120,000	78,390	198,390
2013	130,000	71,545	201,545
2014	140,000	64,085	204,085
2015	150,000	56,000	206,000
2016	160,000	47,280	207,280
2017	170,000	37,915	207,915
2018	180,000	27,895	207,895
2019	190,000	17,210	207,210
2020	200,000	5,850	205,850
Total	1,930,000	1,087,960	3,017,960

H. BONDS DEFEASED - PRIOR YEARS DEFEASANCE OF DEBT

During 1998, the County defeased \$ 7,030,000 of its Certificates of Obligation, Series 1996 by issuing \$ 8,020,000 General Obligation Refunding Bonds and placing the proceeds of the newly issued bonds in an irrevocable escrow fund to provide for all future debt service payments on the old bonds. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2004, the amount of Certificates of Obligation Series 1996 that are outstanding but considered defeased is \$ 7,030,000.

I. CONDUIT DEBT

Certificates of Participation, Series 1997

The PBCF Webb Texas, Inc. (Lessor) is a Texas Corporation organized and existing under the laws of the State of Texas. The Lessor by proper corporate action duly authorized the execution and delivery of and the due performance of lease purchase agreement with Webb County, Texas ("Lessee").

The sale of July 15, 1997 \$1,530,000 Certificates of Participation, Series 1997 (the "1997 Certificates") evidencing interests of the owners thereof in certain obligations of Webb County, Texas due under its lease purchase agreement with PBCF Webb Texas, Inc. The 1997 Certificates represent proportionate interests in the basis rent payable by Webb County, Texas.

The project consist of approximately .95-acre tract, and approximately 15,000 square feet Restitution/Court Residential Treatment facility, including sleeping quarters, laundry facilities, dining facilities, kitchen, educational classrooms, administrative space, parking areas and recreational areas.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

The outstanding balance of the 1997 Certificates is \$ 1,385,000 as of September 30, 2004.

Neither the lease, the County's obligation to pay basic rent nor the 1997 certificates are general obligations of the County. The County's obligation to make basic rent payments and any other obligation of the County under the lease are subject to and dependent upon yearly appropriations being made by the County for such purpose. However, the County is not legally required to appropriate or otherwise provide monies for this purpose.

The Webb County Court Residential Treatment Center program was not funded by the State of Texas beyond August 31, 2003. This program was being housed in the facilities described above, and its funding included an amount that was used by the County to make rent payments to the PBCF, which in turn used the funds to make the debt payments on the Certificates of Participation, Series 1997 described above. Upon termination of State funding, the Court Residential Treatment Center ceased to operate. Consequently, the County authorized appropriations in the 2004-2005 annual's budget to provide for the rent payments for that fiscal year.

Certificates of Participation, Series 1997A (Sale During Fiscal Year and Defeasance Date of Record December 28, 1998)

The Webb County Correctional Center Public Facility Corporation is a newly-formed nonprofit corporation created by the County in accordance with Article 717s, Vernon's Texas Civil Statutes, as amended ("Article 717s") for the purpose of assisting the County with the financing, refinancing, or providing for public facilities for the County.

The Webb County Correctional Center Public Facility Corporation has the broadest possible powers to finance the acquisition of county obligations issued or incurred in accordance with the existing law, and to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement in service of public facilities of the County under Article 717s. All powers of the Corporation are vested in a Board of Directors, each of who is a member of the Commissioners Court.

The sale of the October 1, 1997 \$ 22,470,000 Certificates of Participation Series 1997A (the "1997A Certificates"), evidencing proportionate interests of the owners thereof in a Lease Agreement with option to purchase with Webb County, Texas as Lessee. The Lessor will transfer its rights and interest in, and duties and obligations regarding the project including the title to the real property portion of the project to the Corporation, subject to the mortgage and assignments made to the Trustee for the benefit of the Certificate owners. The outstanding balance of the 1997A Certificates is \$ 20,150,000 as of September 30, 2004.

The new Webb County Correctional Center consists of 98,000 square feet which will include a 500-bed multi-classification detention center with all necessary ancillary spaces, including education building, guard towers, segregated recreation yard, kitchen, program space medical facilities, wastewater treatment plant and associated utilities. There will be 150 single cells, 96 double cells, 19 eight-bed dormitories and 1 six-bed dormitory.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

On December 29, 1998 a closing memorandum by bond counsel and the revised purchase structure for request for Repurchase Agreement and Defeasance Escrow CCA PRT broker, the County entered into an incarceration agreement with CCA PRT. This transaction provides for the defeasance of the Webb County Correctional Public Facility Corporation \$ 22,470,000 1997A Certificates. The Verification Agent of record provided a Defeasance Verification Report for the mathematical accuracy on the transaction. The transfer of ownership will occur in October 1, 2007 to CCA PRT, the purchaser. In the meantime, the County will have entered into a sublease agreement with CCA PRT providing incarceration agreements for County inmates.

IV. OTHER INFORMATION

A. PROPERTY TAXES

Property subject to taxation is real property and certain personal property situated in the County. The County's property tax is levied and becomes collectible on October 1, based on values assessed by the Webb County Appraisal District as of the preceding January 1, which is the date a tax lien is attached to the property.

Such taxes become delinquent on February 1 after the levy date. Discounts of 3%, 2%, and 1% are offered on payments of current taxes made by the last day of October, November and December, respectively.

Interest and penalties of 7% plus 2% a month are added for payments received in February, March, April, May, and June. The assessed valuation of taxable property for year 2003 was \$ 7,630,038,770 representing 100% of appraised value.

The County grants exemptions authorized by state law for disabled veterans, and homestead productivity of open space land. Therefore, the taxable values to which the tax rates are applied are less than the 100% valuation. The taxable values for year 2003, and designation of tax rates are as follows for fiscal 2004:

	<u>Taxable Value</u>	<u>Tax Rate Per \$100 of Taxable Value</u>
General Fund:	\$ 7,630,038,770	0.367934
Special Revenue Fund: Road and Bridge Maintenance	\$ 7,627,159,021	0.001174
Debt Service Fund:	\$ 7,630,038,770	<u>0.088815</u>
Total Tax Rate		0.457923

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Taxes receivable are reduced by an allowance for estimated uncollectible taxes. Revenues from property taxes are recognized in the current year to the extent they are available to finance current year expenditures.

The County is permitted to levy taxes up to \$.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt and an additional \$.15 per \$100 of assessed valuation for maintenance of public roads and bridges.

The County thus has legal margins of \$.353989 and \$.138088 respectively, per \$100 valuation and could levy approximately \$ 25,879,895 and \$ 11,253,341 in additional taxes for those purposes before that exceeds the tax rate calculated in accordance with the Texas Property Tax Code by more than 3% without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election when the increase in the effective tax rate is 8% or more of the previous year's effective tax rate.

Because of limitations imposed by state law, cases in which accumulated taxes exceed property value and other problems in tax collection, allowances have been provided for uncollectible accounts.

B. DEBT LIMIT

The County is subject to certain statutes of the Texas Constitution that limit the amount of net bonded debt (exclusive of revenue bonds). The County may have outstanding up to 25 percent of the assessed value of real property.

At September 30, 2004, the statutory limit of the County was approximately \$ 1,985,977,206 providing a legal debt margin of \$ 1,917,755,478.

C. COMPENSATED ABSENCES

Accumulated compensatory leave, vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures in the respective governmental funds. Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as long-term liabilities in the governmental activities column of the government-wide Statement of Activities. The majority of these have typically been liquidated from the General Fund in previous years. Accumulated compensated absences of Proprietary Funds are recorded as an expense and liability in the respective fund and the business-type column of the government-wide Statement of Activities as the benefit accrues for the employee.

Employees accrue 12 days of sick leave per year. Sick leave taken is recognized as expenditures as used by employees. There is no ceiling for the employees to accumulate sick leave. Upon

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

separation or termination, unused sick leave is not paid. Employees with more than one year of service accrue from twelve to twenty-one days' vacation per year, depending on years of service.

Non-exempt employees earn compensatory time at one and one-half times their full rate of pay times the excess of 40 hours per week worked. The compensatory time balance for non-exempt employees may not exceed 240 hours. Hours in excess of the 240-hour maximum must be paid to the non-exempt employee at the rate of one and one-half times the regular rate. Upon termination, non-exempt employees will be paid for compensatory time at their wage rate at time of termination.

	Balance Outstanding October 1, 2003	Earned	Taken/ Paid	Balance Outstanding September 30, 2004	Amount Due Within One Year
Governmental Activities	1,942,178	1,612,304	1,471,975	2,082,507	1,089,439
Business-type Activities	37,565	18,627	14,161	42,031	13,147
Total Primary Government	<u>1,979,743</u>	<u>1,630,931</u>	<u>1,486,136</u>	<u>2,124,538</u>	<u>1,102,586</u>

D. RETIREMENT PLAN

1. PLAN DESCRIPTION

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

and employer -financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employees' accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

2. FUNDING POLICY

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 7.42% for the months of the accounting year in 2003, and 7.49% for the months of the accounting year in 2004.

The contribution rate payable by the employee members for calendar year 2004 is the rate of 6% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

3. ANNUAL PENSION COST

For the 2004 fiscal year, the County's annual pension cost was equal to the County's required contributions. The employers are required to contribute at an actuarially determined rate; the current required contribution is \$ 3,002,132.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the Governmental Accounting Standards Board Statement Number 27 "Accounting for Pension by State and Local Governmental Employers" parameters based on the actuarial valuations as of December 31, 2001 and December 31, 2002, the basis for determining the contribution rates for calendar years 2002 and 2003. The December 31, 2003 actuarial valuation is the most recent valuation.

4. TRANSITION DISCLOSURE

It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at transition to that statement effective at the beginning of the accounting year, because all actuarially required contributions for the accounting years beginning in 1987 up to the beginning of this accounting year have been paid.

There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported pension liability is zero.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

E. DEFERRED COMPENSATION

In accordance with Internal Revenue Code (IRC) Section 457, the County offers all employees a deferred compensation plan. Under this plan, employees are permitted to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Public Employees Benefit Services Corporation (PEBSCO) administers the plan.

During the fiscal year ended September 30, 1998, the County exercised its option and transferred the assets of the deferred compensation plan created under Internal Revenue Code Section 457 to a trust held for the exclusive benefit of the participating employees and not accessible by the County or its creditors. For this reason and as required by Government Accounting Standard Board (GASB) Statement number 32, "Deferred Compensation Plans Under Internal Revenue Code Section 457", the County is not including the activity related to the deferred compensation plan in its financial statements.

The implementation of GASB Statement 32 did not have an effect on the financial statements of the County, which would require an adjustment to the equity section of the County in order to comply with Generally Accepted Accounting Principles.

F. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The County established a department within the General Fund to account for property / casualty and liability insurance premium reserves and uninsured risks of loss up to \$50,000 per occurrence. In 1992, a Workers' Compensation Fund was created to finance worker's compensation claims for uninsured losses up to \$100,000 per employee claim, this enabled the County to account for and record losses and maintain reserves for on-the-job employee injuries.

In addition, the County continues to maintain an Employees' Health Benefits Fund for uninsured risk of loss for health insurance coverage for employees up to \$50,000 per employee per year. The Court set the rates for the County's funding plan levels, contributions and employees deductions. All funds with personnel cost participate in both the employees' health benefits and workers' compensation funds.

There was no significant reduction in insurance coverage from coverage in the prior year by category. The County purchases commercial insurance for claims in excess of coverage provided by each Fund and for all other risks of loss. Settled claims resulting from general liability exposure have not exceeded this commercial coverage in any of the past ten fiscal years. As of September 30, 2004 the claims liability of \$ 509,630 and \$ 72,060 are reported in the internal service funds. Changes in the respective funds claims liability amount for 1995 through 2004 fiscal years were:

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

Webb County Employees' Health Benefits Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1995	170,943	2,223,483	(1,825,237)	569,189
1996	569,189	1,652,880	(1,912,643)	309,426
1997	309,426	3,612,896	(3,575,115)	347,207
1998	347,207	3,693,971	(3,643,327)	397,851
1999	397,851	3,645,681	(3,712,874)	330,658
2000	330,658	4,073,510	(4,042,243)	361,925
2001	361,925	3,903,435	(3,914,680)	350,680
2002	350,680	3,986,143	(3,815,008)	521,815
2003	521,815	4,972,824	(5,081,217)	413,422
2004	413,422	6,265,616	(6,169,408)	509,630

Webb County Workers' Compensation Reserve Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1995	101,058	288,955	(307,402)	82,611
1996	82,611	721,747	(291,099)	513,259
1997	513,259	488,936	(488,936)	418,496
1998	418,496	208,678	(138,360)	488,814
1999	488,814	(268,981)	(202,854)	16,979
2000	16,979	612,703	(573,828)	55,854
2001	55,854	750,234	(737,226)	68,862
2002	68,962	646,695	(601,534)	114,023
2003	114,023	234,081	(316,298)	31,806
2004	31,806	1,021,409	(981,155)	72,060

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

The Long-term risk liability is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which require that a liability be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. Changes in the respective funds reserve amount in the fiscal year were as follows:

Webb County Employees Health Benefits Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1997	- 0 -	510,540	- 0 -	510,540
1998	510,540	82,870	- 0 -	593,410
1999	593,410	22,282	- 0 -	615,692
2000	615,692	- 0 -	- 0 -	615,692
2001	615,692	- 0 -	- 0 -	615,692
2002	615,692	- 0 -	- 0 -	615,692
2003	615,692	- 0 -	- 0 -	615,692
2004	615,692	- 0 -	- 0 -	615,692

Webb County Workers Compensation Reserve Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1997	- 0 -	183,176	- 0 -	183,176
1998	183,176	(25,677)	- 0 -	157,499
1999	157,499	59,661	- 0 -	217,160
2000	217,160	254,049	- 0 -	471,209
2001	471,209	258,272	- 0 -	729,481
2002	729,481	15,409	- 0 -	744,890
2003	744,890	(158,358)	- 0 -	586,532
2004	586,532	455,442	- 0 -	1,041,974

Webb County, Texas
Notes to the Financial Statements
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In addition to the mentioned claims and judgments liabilities, if the County would cancel its health insurance policy it would be liable an estimated \$ 867,281. This amount includes \$ -0- in administration fees and \$ 867,281 in runoff medical, prescriptions and dental claims. This event is not considered probable; and therefore, is not accrued in the Employees Health Benefits Internal Service Fund.

G. COMMITMENTS AND CONTINGENCIES

The County has several purchase commitments outstanding at September 30, 2004. These commitments are as follows:

General Fund	\$	224,852
Special Revenue Funds		325,098
Capital Projects Funds		<u>633,565</u>
Total	\$	1,183,515

The County is subject to various litigation and claims (some of which are for substantial amounts) arising out of the course of its operations. The County Attorney and independent counsel assisting with several cases have reviewed the cases to arrive at estimates of the range of potential loss, if any, to the County. Loss contingencies considered probable were immaterial and required no accrual.

The County is the recipient of federal and state financial assistance and is subject to various laws and regulations governing the use of this funding. If the grantor agencies determine such programs were not operated in accordance with the related laws and regulations the County could be required to refund assistance received for such ineligible expenditures. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the County expects such amount, if any, to be immaterial.

While the results of lawsuits or other proceedings cannot be predicted with certainty, the administration does not believe these matters will have a material adverse effect on the County's financial position.

There is not estimated arbitrage rebate liability required for the County as of September 30, 2004.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

H. GENERAL FUND - FEDERAL / STATE REVENUE SOURCE

<u>Program or Source</u>	<u>CFDA Contract Number</u>	<u>Total Grant or Entitlement</u>
Texas Natural Resource Conservation Commission Passed Through South Texas Development Council Regional Solid Waste Management Implementation Program	02-19-G03	25,207
Texas Department of Family and Protective Services Title IV-E County Legal Services To Foster Care Children	2003113071	65,000
Texas Department of Family and Protective Services Title IV Child Welfare Services Contract	2003113070	10,000

Texas Natural Resource Conservation Commission

The purpose of this grant is to enable South Texas Development Council (STDC) to carry out or conduct various municipal solid waste management related services and to support activities within STDC regional jurisdiction. The grant revenue earned through the fiscal year was \$ 25,207.

Texas Department of Family and Protective Services Title IV-E County Legal Services to Foster Care for Children

The purpose of this grant is to provide fair, adequate, and expeditious judicial determinations regarding children eligible for services under subtitle IV-E of the Social Security Act, including the training of county staff in areas necessary for the administration of this portion of the state IV-E plan. The grant revenue earned through the fiscal year was \$ 69,483.

Title IV Child Welfare Service Contract

The purpose of this grant is to provide financial assistance for foster care maintenance payments, administrative, and training expenses related to foster care and adoption. The grant revenue earned through the fiscal year was \$10,770.

I. OTHER POST RETIREMENT HEALTH CARE BENEFITS

In addition to pension benefits described in Note K, the County, as required by the Consolidated Omnibus Budget Reconciliation Act (C.O.B.R.A.), provides the option of post-employment health care coverage to all retired and terminated employees less than sixty-five years old with 100% of the premium paid by the employee.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2004

There is no liability to the County associated with post-employment benefits provided unless the County fails to notify the eligible employee of said benefit by mail. Retired and/or terminated employees more than sixty-five years old are eligible for Medicare and do not qualify for benefits under C.O.B.R.A. The premiums collected and paid from ex-employees are accounted for through the Employees Health Benefit Fund.

The County established in January 2003 an Employees Retirees Insurance Fund for health insurance and funded the first year from an internal fund transfer. Employees who meet one of the following are eligible to participate in the retirement health insurance program:

1. Must not have already retired from the County nor have already been enrolled or received benefits under this plan.
2. Must have four years of continuous employment with the County prior to retirement; and
3. Must be covered as an active employee under the County health insurance plan at the time of retirement; and
4. The employee must meet one of the following additional criteria:
 - a. Age 59 plus 8 years of County employment, or
 - b. Obtain rule of 75, based on government employment with the State of Texas, a Texas County, or a Texas City of which a minimum of six years of employment must be with the County,
 - c. Twenty years of employment with The County.

Cost to retirees younger than 59 years of age up to the age of 64 is \$100 per-month and cost for dependent coverage is \$200. The retiree's cost at age 65 (silver choice) is 100% less \$ 100 county contribution and 100% cost of coverage. As of September 30, 2003 there are 8 in the group and 5 in the silver choice plan.